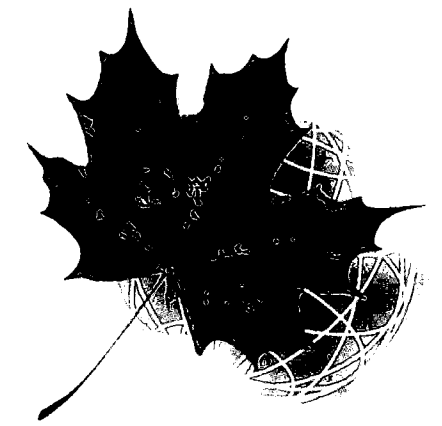


2 The China and Hong Kong Trade Action Plan



China's economy has more than quadrupled since economic modernization became the hallmark of Chinese government policy in 1978. Annual growth has averaged a remarkable 9 percent and is projected to continue at a similarly impressive rate into the next century. Already the seventh-largest economy in the world in GDP terms, this impressive ranking does not take into account the July 1, 1997 transition of Hong Kong to Chinese sovereignty. Today, China has emerged as the economic engine of the Asia-Pacific region, with corresponding political influence.

Canada's policy approach takes full account of the reality of China's rapidly growing importance in world affairs. Canada's overarching objective is to encourage China to maintain its open-door policy and to become fully integrated in global and regional political and economic institutions. Designed to support long-term relations, the Canadian policy is one of multiple linkages and interaction built on the following elements: economic partnership; peace and security; sustainable development; and human rights, good governance and the rule of law. This policy is being implemented through a shared agenda with the Canadian International Development Agency (CIDA), in close co-operation with other departments and effective interaction with the business community and other interested stakeholders.

Bilateral trade has grown rapidly over the last quarter century. From a mere \$161 million in

1970 when diplomatic relations were established, two-way trade has grown to \$7.8 billion in 1996. China and Hong Kong combined now represent Canada's third-largest trading partner, after the United States and Japan.

China and Hong Kong hold significant market potential for Canadian firms, but the challenges are also great. China's commitment to pursue further economic reform should help sustain high growth and continue to generate promising opportunities for exporters in sectors where Canadian firms have a comparative advantage. Uncertainties about the pace and direction of economic reform, however, complicate efforts to plan market development strategies.

A Strategic Approach to Developing China and Hong Kong Trade

This second edition of the *China and Hong Kong Trade Action Plan* represents another step forward in the Team Canada approach to developing an economic partnership with China. The plan is a direct response to a consensus among business and government that the China and Hong Kong markets require a more strategic deployment of limited trade development resources. It identifies eight key sectors that offer the most promising opportunities for Canadian exporters, and focusses enhanced levels of service in these sectors. Exporters targeting niche opportunities in other sectors will